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SUBJECT: BRAZIL: Charge Discusses Tax, Trade and Cotton with AmCham

REF: BRASILIA 1271

¶1. (SBU) Summary: In a November 20 meeting with Chargé d'Affaires (CDA) Kubiske, Sao Paulo American Chamber of Commerce (AMCHAM) Director Gabriel Rico stressed the Brazilian private sector's interest in continued collaboration with the United States. Specifically, Rico suggested that the new Ambassador visit AMCHAM as part of his first official visit to Sao Paulo to establish ties with the business community. Rico also expressed confidence for progress on a bilateral tax treaty in 2010, avoiding cross-retaliation in the WTO Cotton dispute, and opportunities for cooperation on innovation policy. End Summary.

Engagement with New Ambassador

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¶2. (SBU) AMCHAM Director Rico began by expressing the Sao Paulo business community's interest in welcoming a new U.S. Ambassador and continuing the private sector's close engagement with the United States. Rico suggested to the CDA that the Ambassador participate in a high-profile event, maybe a luncheon, with the private sector during his first visit to Sao Paulo. He suggested that AMCHAM could arrange this as a joint event with FIESP (Federation of Industries in the state of São Paulo), so that the new U.S. ambassador could meet a larger portion of the Sao Paulo business community at one time.

Bilateral Tax Treaty

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¶3. (SBU) Rico emphasized that the Bilateral Tax Treaty (BTT) continues to be one of AMCHAM's top five priorities for 2010. In particular, AMCHAM has been increasingly engaging the Brazil-USA parliamentary caucus in the Brazilian Congress, which the AMCHAM believes can play a crucial role in pushing the Lula administration towards approving a BTT. Following a joint AMCHAM and caucus-hosted tax policy seminar in Brasilia October 27 (ref A), Rico said he now anticipates the Brazilian Senate will approve the pending Tax Information Exchange Agreement (TIEA) as a step to an

eventual BTT. AMCHAM is also planning to deliver a joint statement from the caucus and U.S. Senator Lugar to the Brazilian Executive Branch in support of a TIEA and BTT.

14. (SBU) Rico told the CDA, however, that resistance from some private sector representatives persisted due to fear of international investment disclosure requirements, and could slow approval. (COMMENT: This issue also impacts support for the broader information exchange requirements required under a BTT. END COMMENT). Rico asserted the Foreign Ministry, Finance Ministry and Brazil's tax authority, Receita Federal all support the TIEA and BTT. Receita Federal, however, is less enthusiastic about a BTT, as they are concerned about minimizing loss of revenue collected. Nonetheless, they are willing to support a BTT, according to Rico. (COMMENT: This optimistic assertion does not track with feedback received from Fazenda and Receita in Brasilia, who have only gone so far in recent conversations as to assert that a BTT "may some day be possible." END COMMENT) He expressed confidence that the Brazilian Congress will approve the TIEA by June 2010. According to Rico, both Dilma Rousseff (PT) and Jos???? Serra (PSDB) support the concept of a BTT. Rico emphasized that a Serra government would be more pro-U.S., due to its more pragmatic pro-business approach - PSDB has historically been more supportive of close ties with the United States.

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Way Forward on Cotton Dispute

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15. (SBU) Rico said AMCHAM agrees with the GOB's right to retaliate against the USG under the WTO cotton subsidy dispute, but is seeking ways to amplify dialogue between the U.S. and GOB to avoid an escalation of trade tensions or cross-retaliation in unrelated sectors. Rico echoed U.S. Trade Representative Kirk's September 16 speech at the AMCHAM, stressing that the issue is specifically trade-related and should not become a broader political issue. Rico said the cotton issue is not exclusively in the hands of the Foreign Ministry for the time being, but rather being addressed through a robust interagency process (CAMEX), which is beneficial, in his view, for the United States. He said Brazilian industry sees this issue as a purely agricultural one and hopes that the GOB will not retaliate against intellectual property rights. Rico expressed a high regard for CAMEX and its executive secretary Lytha Spindola for the handling of the issue to date and said AMCHAM is providing info and assistance to CAMEX. Rico suggested that positive movement from the USG on the dispute would be conducive to expanding dialogue for a resolution. CDA Kubiske noted Brazilian companies operating in the USA could play a constructive role with the GOB in urging dialogue and an amicable solution.

Supporting Innovation

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16. (SBU) Looking ahead, the CDA and Rico discussed the future of innovation in Brazil and an apparent missing link between academics and business opportunities. Rico noted that most business innovation still originates from the S????o Paulo area, but said that bureaucracy in patent approval and a lack of integration between academic researchers and industry are the main obstacles to stimulating greater innovation across Brazil. Specifically, Rico lamented the lack of staff at INPE and complexity of Brazilian patent law which have led to an average wait time of 10 years for patent approval. Rico suggested the need for further exchange of ideas between Brazil and the United States on innovation policy, citing training for Brazilians in U.S. innovation clusters as one

way to bridge this gap.

17. (U) This cable was coordinated/cleared by Embassy Brasilia.  
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